
Plan 1 for PERS, TRS and LEOFF

Recovery of withdrawn or optional service credit

The actual provisions governing the recovery of withdrawn or optional service credit are contained in the Revised Code of Washington (RCW). This publication is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.

This publication relates to the following retirement systems:

- Public Employees' (PERS) Plan 1
- Teachers' (TRS) Plan 1
- Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 1

Many public employees in Washington State leave public employment sometime during their careers and exercise the option to withdraw their contributions from their retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions and any future benefits based on that service credit. There are three different ways to recover service credit lost due to the withdrawal of contributions.

- 1. Restoration:** You return to the same retirement system from which you withdrew and complete restoration within the system's statutory deadline. See below.
 - 2. Dual Member Restoration:** You join a retirement system other than the one you withdrew from, and restore the service withdrawn from the first system. Both retirement systems must be dual member systems. See page 2.
 - 3. Service Credit Purchase:** You may still purchase withdrawn service credit if the deadline passes before restoration is completed. See pages 3 and 4.
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What are the rules for restoration?

Restoration rules apply to service credit lost due to withdrawal of contributions. Under restoration rules, you repay the full amount of the original withdrawal, plus recovery interest compounded from the time of withdrawal until the restoration costs are paid in full.

To qualify for restoration

You may apply for restoration only after you reestablish membership in the same system from which you withdrew. You reestablish membership by working in a position covered by that system. If you wish to apply for restoration, see contact information on page 4.

Restoration deadlines and payment options

You are required to initiate and complete restoration payments within a specific time period after returning to service. Restorations can be paid in a lump sum, or in installment payments. Restoration payments not paid in full by the deadline, will be refunded after the deadline passes and the associated service credit will not be restored to your account. Restoration deadlines vary depending on their system:

- **PERS Plan 1:** Payments must be completed within 60 service credit months of returning to service. See your member handbook for more detailed information about service credit.
- **TRS Plan 1:** Lump sum payment, or 20 percent of the total due, must be paid by June 30 of the fifth fiscal year after you return to membership (July 1-June 30). If you choose to pay using installments, your final payments must be made by June 30 of the fourth fiscal year following the fiscal year the first payment was made.
- **LEOFF Plan 1:** Payment must be completed within 60 service credit months of returning to service. See your member handbook for information about service credit accumulation. For LEOFF Plan 1 only, interest is not charged on the withdrawn contributions.

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If employment is terminated before completing restoration payment

- In PERS Plan 1 and LEOFF Plan 1 the restoration deadline is determined by periods of service (service credit months). If you leave active service, payments must stop and cannot be resumed until you return to service.
- In TRS Plan 1, if you leave active service and do not withdraw your contributions, you may continue making resotation payments. Your deadline remains the same.

Leaving service prior to completion of restoration

If you leave service and withdraw your contributions before completing restoration payments for a previous withdrawal, the restoration deadline for the service credit lost in the first withdrawal does not change. Any contributions or interest associated with service credit earned after the initial withdrawal will be assigned a new deadline, if you again return to service and apply for restoration.

Note on Rollovers and Transfers: In many cases it is possible to roll over funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. You are advised to check with the administrator of your tax-deferred account to see if those dollars can be rolled over or transferred to the Department of Retirement Systems (DRS). DRS is classified by the Internal Revenue Service (IRS) as a 401(a) account. Funds in excess of billing cannot be rolled over to DRS.

What are the rules for dual member restoration?

A dual member:

- Is currently an active member of PERS Plan 1, 2 or 3; TRS Plan 1, 2 or 3; SERS Plan 2 or 3; LEOFF Plan 2; WSPRS Plan 1 or 2; or the city retirement system of Tacoma, Seattle or Spokane; and
- Has previously been a member of one or more of these systems or the Statewide City Employees’ Retirement System (SCERS) in addition to the system in which he or she is currently a member; and
- Has never been retired from service and is not currently receiving a disability retirement benefit or disability leave benefit from any of the public retirement systems in the state of Washington.

Dual member restoration rules and deadlines apply to all dual member systems and plans
For restoration under dual membership, you must repay the amount withdrawn plus interest within 24 months (2 years) of becoming a dual member or before you retire, whichever comes first.

For more information about dual membership rights, refer to the DRS publication, *What Is Dual Membership and How Does it Affect Me?* This publication is available on the DRS Internet site or in print through DRS or your personnel/payroll office. See page 4 for Internet address and DRS contact information.

What is optional service credit and how do I apply for it?

Plan 1 members have the option to apply for service credit for periods of public service or leaves of absence that fall under rules other than normally accumulated service credit. This is referred to as “optional service.” Optional service can be acquired by paying contributions within a specific time period immediately after returning to active service. While payment for optional service credit must be initiated while actively employed in a covered position, payments can be completed regardless of employment status.

Some common types of optional service

Systems to which it applies

■ Probationary service	(PERS)
■ Substitute or part-time teaching	(TRS)
■ Temporary duty disability	(PERS)
■ Legislative or elected official employment	(LEOFF, PERS, TRS)
■ Military service that interrupts employment	(PERS, TRS)
■ Service in the Statewide City Employees’ Retirement System	(PERS)

If statutory deadlines have passed, you can still recover optional service credit

Though it is considerably more expensive than recovering the service within the statutory deadline, optional service can be purchased any time during active membership under other service credit purchase provisions.

If you have questions about optional service credit

Optional service credit can only be purchased for the total amount of service involved. You may be eligible for more than one period of optional service credit. If you have questions concerning any periods of time that you think may qualify as optional service, call DRS and speak with a Retirement Services Analyst. See contact information on page 4.

What are the rules for service credit purchase?

All active Plan 1 members have the option to purchase withdrawn service credit even after deadlines for normal or dual member restoration have passed. Service credit purchased under this law costs much more than service credit recovered within statutory deadlines. This is because cost is based on the increased value of your retirement benefit, not on the amount of withdrawn contributions.

- You may purchase service credit in increments as small as the amount earned in one month.
- You are not limited to a single purchase, and may purchase credit up until you retire.

If you wish to apply for service credit purchase, contact DRS to receive a billing. See contact information on page 4.

NOTE: In many cases it is possible to roll over funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. See note on rollovers and transfers on page 2.

Calculating the cost for service credit purchase

DRS uses a formula based on the following:

- Your highest average earnings which would be used for computing your benefit in the retirement system in which you are purchasing service credit. This definition can be found in your member handbook.
- The amount of service credit being purchased.
- The amount of time you will be able to retire earlier as a result of the purchase.
- An actuarial factor or factors based on your earliest possible retirement date and the system and plan under which the service credit was earned. See actuarial factor tables and example on page 4.

Actuarial factors are assigned by system and plan

For LEOFF Plan 1 members the normal retirement age is age 50 with at least 5 years of service credit. Only Part 1 of the formula and the factors from Table 1 are used to calculate total service credit purchase cost.

For PERS and TRS Plan 1 members, the normal retirement age is the earliest possible retirement date based on your age and service credit at the time you apply for service credit purchase. Normal retirement age can be (1) any age with 30 years of service credit; or (2) age 55 or older with 25 years of service credit; or (3) age 60 with 5 or more years of service credit. If a service credit purchase does not change the potential retirement date, only Part 1 of the formula is used. If the purchase allows the potential retirement date to be sooner, Parts 1 and 2 of the formula are used.

Service Credit Purchase Basic Formula

PART 1: Average Annual Earnings x Service Credit Years Purchased x Table 1 Actuarial Factor = Part 1 Cost

PART 2: Average Annual Earnings x Total anticipated service credit at retirement x number of years able to retire earlier (after purchase) x Table 2 Actuarial Factor x Table 3 Actuarial Factor = Part 2 Cost

Part 1 Cost + Part 2 Cost = Total purchase price

Actuarial tables and an example calculation are provided on page 4.

TABLE 1 ACTUARIAL FACTORS			
	PERS 1	TRS 1	LEOFF 1
0	0.2115	0.2112	0.3245
1	0.2047	0.2044	0.3139
2	0.1980	0.1978	0.3038
3	0.1916	0.1914	0.2939
4	0.1854	0.1852	0.2844
5	0.1794	0.1792	0.2752
6	0.1736	0.1734	0.2663
7	0.1680	0.1677	0.2576
8	0.1625	0.1623	0.2493
9	0.1573	0.1570	0.2414
10	0.1522	0.1520	0.2046
11	0.1472	0.1470	0.1979
12	0.1425	0.1423	0.1915
13	0.1378	0.1377	0.1853
14	0.1334	0.1332	0.1793
15	0.1290	0.1289	0.1735
16	0.1249	0.1247	0.1679
17	0.1208	0.1207	0.1624
18	0.1169	0.1168	0.1572
19	0.1131	0.1130	0.1521
20	0.1094	0.1093	0.1472
21	0.1059	0.1058	0.1424
22	0.1025	0.1023	0.1378
23	0.0992	0.0990	0.1333
24	0.0959	0.0958	0.1290
25	0.0928	0.0927	0.1248
26	0.0898	0.0897	0.1208
27	0.0869	0.0868	0.1168
28	0.0841	0.0840	0.1131
29	0.0814	0.0813	0.1094
30	0.0787	0.0786	0.1059

Table 2 Actuarial Factors	
PERS 1:	0.00434
TRS 1:	0.00383

Table 3 Actuarial Factors	
Years to normal retirement age	Actuarial Factor #3
1	0.9676
2	0.9362
3	0.9059
4	0.8765
5	0.8481
6	0.8206
7	0.7940
8	0.7683
9	0.7434
10	0.7193
11	0.6960
12	0.6735
13	0.6516
14	0.6305
15	0.6101
16	0.5903
17	0.5712
18	0.5527
19	0.5348
20	0.5174

EXAMPLE: Service credit purchase

Ron is a PERS Plan 1 member. He is age 50 and has 18 years of service credit.

Determine Normal Retirement Age: Ron's first opportunity to retire would come in 7 years when he is age 57 with 25 years of service credit. Therefore, Ron's normal retirement age is age 57. At age 50, Ron is 7 years from normal retirement age.

Determine years of earlier retirement: If Ron purchases 3 years of service, his current total service would increase to 21 years. This means that Ron could reach 25 years of service when he is age 54. At age 55, Ron would be able to retire.* Since Ron will be eligible to retire 2 years earlier than his normal retirement age of 57, a two-part formula will be used.

Part 1: average annual earnings x service purchased x Table 1 Factor = Cost
 $\$50,000 \times 3 \times 0.1680 = \$25,200$

Part 2: average annual earnings x total service credit at retirement x years of earlier retirement x Table 2 factor x Table 3 factor = Cost
 $\$50,000 \times 26 \times 2 \times 0.00434 \times 0.7940 = \$8,959$

Total Purchase Cost: Part 1 cost + Part 2 cost = Total Purchase Cost
 $\$25,200 + \$8,959 = \$34,159$

*Retirement eligibility is 30 yrs., or age 55 with 25 yrs. or age 60 with 5 yrs. (see page 3).

*Normal retirement age defined on page 3.

What do I need to do?

To initiate the recovery of service credit, or to obtain an estimate for the cost of service credit purchase, contact DRS. Be sure to provide your: name, retirement system, Social Security Number, mailing address, and daytime telephone number.

Send your mail to:

Department of Retirement Systems
 Name of your System (PERS, TRS, or LEOFF)
 PO Box 48380
 Olympia WA 98504-8380

DRS telephone contacts and email address:

Toll-free at 1-800-547-6657. Olympia area members call (360) 664-7000.
 recep@drs.wa.gov

DRS Internet site:

You will find this publication and a variety of other information about your retirement plan on the DRS Internet site (<http://www.drs.wa.gov>).

